

DOWNTOWN DEVELOPMENT FUNDING POSSIBILITIES

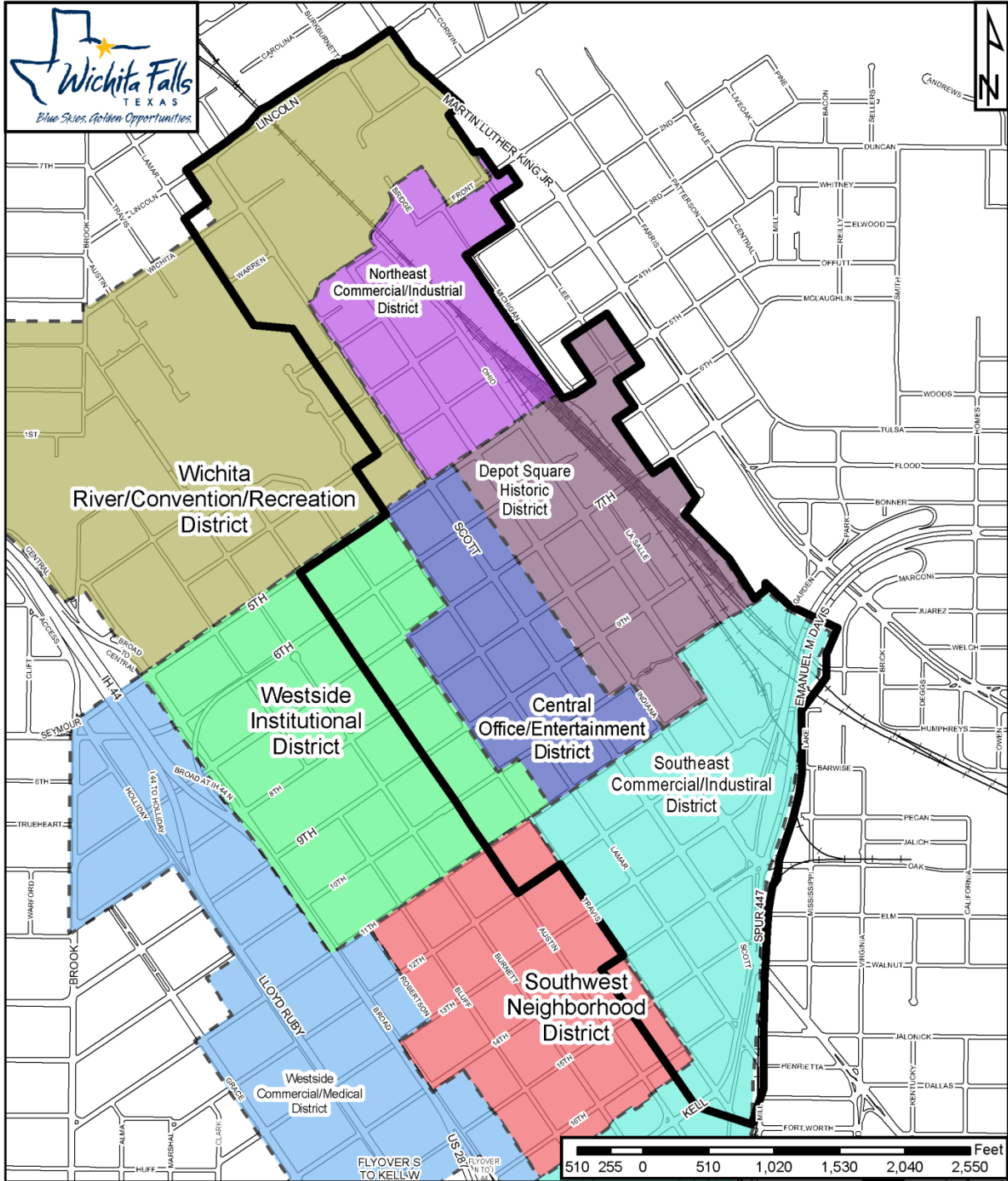
***Report developed by the Finance Subcommittee under
direction from the Downtown Development Steering Committee
- Fall 2017 -***

TAX INCREMENT FINANCING DISTRICT (TIF) #4

A TIF District is created allowing ad-valorem tax (property tax) increases to the existing tax base of a designated area to be placed into a special revenue fund. That fund must be utilized for projects and programs that encourage and assist additional investment in that particular district to further increase the tax base. Project/Program funding assistance is determined by a citizen board, their guidelines, and the approval of City Council. The downtown TIF #4 was created by City Council in March 2015 and as of increment collection from 2017, there was a balance of \$166,646. At the present property valuation in the district, it is projected that approximately \$40,000 annually will be deposited into this fund.

Funding can be used for Public and Private improvements in the District. Funding for private improvements is usually based on a percentage of the total investment for the project. Payments to be made must be based on the documentation of actual costs provided by receipts/cancelled checks and work completed after funding approval and in compliance with all city codes.

Contact: Planning Division, City of Wichita Falls 940-761-7451



TIF 4 District

CITY OF WICHITA FALLS, PLANNING DIVISION
 MAP PRODUCED BY: Fabian Medellin
 DATE PRODUCED: 17 October 2017

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Legend

TIF 4 Boundary

TRAN_Railroad

Downtown Master Plan

District

Central Office/Entertainment District

Depot Square Historic District

Northeast Commercial/Industrial District

Southeast Commercial/Industrial District

Southwest Neighborhood District

Westside Commercial/Medical District

Westside Institutional District

Wichita River/Convention/Recreation District



4A SALES TAX CORPORATION LOANS/GRANTS

A percentage of the sales tax receipts is placed in a special revenue fund that must be used for more traditional types of economic development initiatives that facilitate manufacturing and industrial activity. For example, this tax can be used to fund the provision of land, buildings, equipment, facilities, expenditures, targeted infrastructure and improvements that are for the creation or retention of primary jobs for projects such as manufacturing and industrial facilities, research and development facilities, military facilities, including closed or realigned military bases, recycling facilities, distribution centers, small warehouse facilities, primary job training facilities for use by institutions of higher education, and regional or national corporate headquarters facilities. These funds can also fund business-related airports, as well as eligible job training classes, certain career centers and certain infrastructural improvements which promote or develop new or expanded business enterprises. The funding source is a quarter cent per dollar (\$0.0025) sales tax.

Project funding assistance is determined by a citizen board, their guidelines, and the approval of City Council. Financial help to a private project is generally based on a percentage of the overall costs, generally ten to twenty percent. Payments to be made must be based on the documentation of actual costs provided by receipts.

Contact: Wichita Falls Area Chamber of Commerce 940-723-2741

4B SALES TAX CORPORATION LOANS/GRANTS

A percentage of the sales tax receipts are placed in a special revenue fund that may be used for all of the activities that are eligible for the 4A Corporation (above), but can also be used to fund projects that are typically considered to be community development initiatives. For example, this tax can be used for items, land, buildings, equipment, facilities, expenditures, and improvements for professional and amateur sports facilities, park facilities and events, entertainment, tourist and convention facilities, and affordable housing. Professional and amateur sports and athletic facilities include stadiums and ballparks. Entertainment, tourist and convention facilities include auditoriums, amphitheaters, concert halls, museums and exhibition facilities.

Project funding assistance is determined by a citizen board, their guidelines, and the approval of City Council. Financial help to a private project is generally based on a percentage of the overall costs. Payments to be made must be based on the documentation of actual costs provided by receipts. In recent times, assistance has been provided for such items as fire suppression systems as a part of the rehabilitation of downtown buildings.

Contact: Assistant City Manager or City Attorney 940-761-7404

DOWNTOWN IMPROVEMENT GRANTS

In February 2015, the 4B Sales Tax Corporation (4BSTC) started an initiative to set-aside funding for a matching-grant program within the core of downtown Wichita Falls. The incentive grant program's primary consideration is to encourage economic development through historic preservation and renovation of buildings and property. The 4B STC goal is to create, restore, and inspire quality growth of historic downtown Wichita Falls.

Project requests meeting these guidelines may be approved by the City Manager or his designee. Incentive grant applications may be submitted either to the City Manager's office or the Planning Division. The 4B STC Board of Directors *may* authorize grants for projects that do not meet these guidelines, or may be outside the eligible area. These projects may be considered on a case by case basis, with staff recommendations to the Board.

Eligible Area – Central Business District:

For purposes of this grant, the "Downtown" area shall be defined as any commercial property that is zoned as Central Business District (CBD), generally being the area from 5th Street to 14th/12th/11th Streets and Austin to LaSalle.

Grant Criteria:

The 4B STC will match up to 50% of the cost of the project not to exceed \$5,000. Only one grant will be authorized per address per fiscal year. All applications for grant incentives shall be accompanied by construction quotes, bids or estimates. Reimbursement of eligible expenses must be accompanied by proof of payment and appropriate invoices.

Projects within this area will be considered for grant incentives based on the following criteria.

Eligible Project Activity May Include:

- Façade improvements, such as replacing roofing, flashing, foundation stabilization, windows, paint, wall repairs, brick re-pointing, replacing and exposing transom windows, replacing drain spouts, rusting or twisted metal awning or torn cloth awning, replacing roof shingled residential style awning with one more historically appropriate.
- Signage improvements.
- Interior improvements such as replacing wiring, plumbing, or addressing other city and state codes. Removal of false ceilings also constitutes an acceptable interior improvement project.
- Landscaping improvements, including xeriscaping, irrigation improvements, plants and materials.
- Hardscape improvements, including decorative fencing, sidewalks, ADA-compliant ramps, curb and gutter improvements.

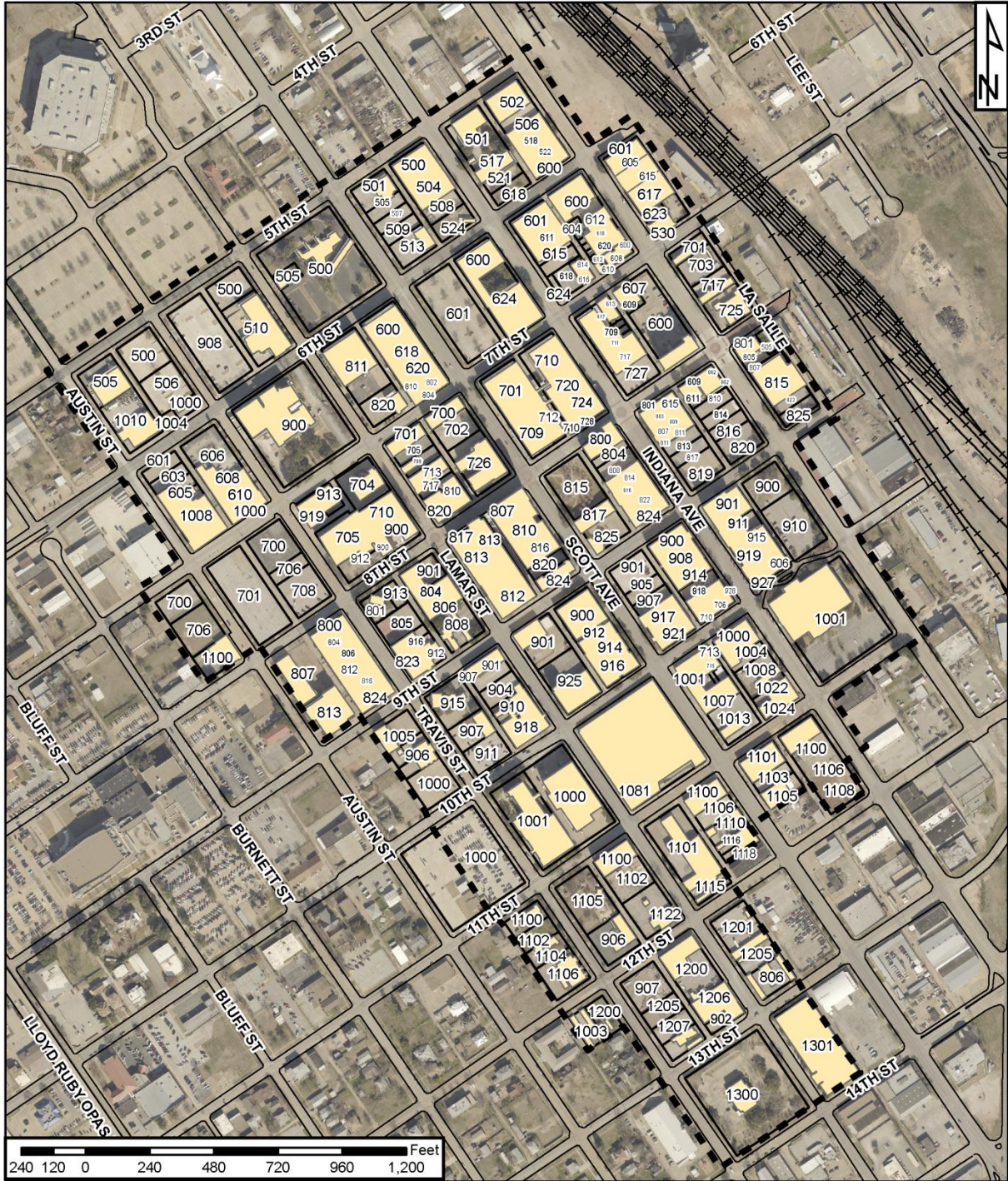
Additional Guidelines:

1. The fiscal year is Oct. 1 to Sept. 30 to coincide with the City of Wichita Falls' fiscal year.
2. 4B grant funds may not be matched by other public funds (e.g., TIF funds, abatements, historic preservation grants, etc.); however, the project may utilize other public funds in addition to 4B grant funds and the private matched funds.
3. Façade is defined as the front exterior of a building and other exterior sides when they are emphasized.
4. Any exterior alterations to historic designated landmarks or buildings in designated historic preservation districts (e.g. Depot Square Historic District), including signage, fencing, façade, paint, or awnings, must obtain appropriate prior design review approval through the City's Landmark Commission and/or Texas Historical Commission, if applicable.
5. The application may come from the property owner or the tenant. If the application comes from the tenant, the tenant must include a letter from the property owner supporting the application and agreeing to the conditions of the grant. The tenant must produce a lease or other documentation showing the term of the lease.
6. The applicant must show itemized invoices and proof of payment (canceled checks, credit card statements, etc.) as documentation of the completed work with the request for payment.
7. The applicant shall be required to furnish photographs of the building's exterior, roof and foundation as part of the application request and also after the construction is completed, as a condition of final grant reimbursement (before and after photos).
8. Reimbursements will be made when the entire project is complete. The Assistant City Manager must approve all reimbursements.
9. Applicants receiving approval by the City shall commence construction described within the Application within sixty (60) days from the date the grant is awarded by the City. All Applicants must complete the construction described in the Application within six (6) months from the date the grant is approved by the City and within the same fiscal budget year. If the Applicant is unable to commence construction within sixty (60) days from the date the grant is approved or complete construction within six (6) months from the date the grant is approved, the Applicant may submit a written request for an extension for the commencement date or completion date provided the extension request is made prior to the sixty (60) day or six (6) month time limit. The City shall not be obligated to allow extensions but may do so for good cause determined solely by the City. The extensions, if granted, shall be for the term and for the conditions determined exclusively by the City. An extension denial cannot be appealed and shall be final with the City.
10. No grant will be awarded for work that has already been initiated or completed. Building or business owners must apply for the grant before work has begun.

11. The applicant must not be involved in any litigation, owe taxes, or have liens filed that would affect the property for which the grant is intended.
12. The project must conform to City of Wichita Falls codes, ordinances and comprehensive plans. All applicable building permits must be obtained.
13. The applicant must notify the City in writing if the applicant makes any changes in the plans submitted to the committee with the original application. The 4B reserves the right to reconsider the application based on the changes to the original plan.
14. A five year preservation period will be in effect after completion. During this period, alterations to the awarded project that are not approved by the 4B STC may result in reimbursement to the City of the awarded funds.
15. The 4B STC reserves the right to review and accept or reject all applications.

A letter will be sent to the applicant and it will act as a contract document providing notification of grant approval, specifying the terms and conditions of the grant. The letter will refer back to the project design and specifications that were approved and will be funded.

Contact: Planning Division, City of Wichita Falls 940-761-7451



Central Business District

CITY OF WICHITA FALLS, PLANNING DIVISION
 MAP PRODUCED BY: Fabian Medellin
 DATE PRODUCED: 16 October 2017

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Legend

- Central Business District (CBD)
- Railroad
- CBD Buildings
- CBD Parcels



Central Business District

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Legend

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FUNDRAISING

Financial project support may be achieved from fundraising activities. Public benefit or private investment may be utilized usually based on the popularity and/or the economic feasibility of the project.

FOUNDATION SUPPORT

The community has very much been enhanced by financial assistance from private foundations. Support is generally determined by public benefit and the degree of other project funding. Funding may be provided to not-for-profit 501 C 3 agencies. Local Foundations include Bridwell, Bryant Edwards, Fain, Kadane, Perkins Prothro, Priddy, West, White.

Contact: Individual Foundations

PRIVATE LOANS

Decisions for bank loan participation are based on project feasibility and customer credit. Banks consider a combination of factors to determine the credit worthiness of a given project. A commercial lender's ultimate objective is to determine the likelihood of repayment, which could potentially be derived from numerous sources. Most banks look primarily to the cash flow that will be generated from the project and its adequacy to pay all operating expenses and debt service. This is determined by a review of historical financial statements and tax returns. Most lenders are uncomfortable loaning to start-ups since their operating performance is unproven. This results in a greater emphasis on other credit factors, such as collateral or the financial strength of guarantors.

Collateral is usually a primary factor considered in a loan decision. The value of collateral is typically determined by a third party appraisal, which can include any contemplated renovations and improvements in its final value conclusion. This would be referred to as an "as complete" value. Banks do not want to loan 100% of the collateral's value. Depending on the nature and utility of the property that makes up the collateral, the loan's advance ratio can be anywhere from 50% to 80% of the appraised value. The difference would represent the equity that the borrower is required to invest in the project. It's normal for borrowers to be expected to have equity (also referred to as "skin in the game") in a project.

The credit history and financial strength of the principal owners and guarantors of a project are also closely examined. In some rare cases, an approval can be granted on this basis alone. How have the principals managed their previous credit obligations? Do they have other assets or income outside the subject project that can be looked to for debt repayment? Principals should expect to personally guaranty any proposed debt.

Information used to evaluate a loan request usually includes three years' financial statements (balance sheets and income statements) and tax returns of the borrower; operating projections for the coming year; personal balance sheets and tax returns of all guarantors; and a detailed budget for the project.

HOUSING TAX CREDITS

Private investors seeking income tax credits can support either 9 percent or 4 percent affordable housing programs. Both have funding caps that are determined by the federal government and allocated by State agencies. They also have complex regulations and applications. Projects must be affordable according to local median family income and rental comparisons.

9% program is allocated through the Texas Department of Housing and Community Affairs (TDHCA). Competition for allocation is generally extreme.

4% is usually paired by the issuance of public (multifamily) improvement bonds.

Contact: Texas Department of Housing and Community Affairs (Website: tdhca.state.tx.us)

HISTORIC PRESERVATION TAX CREDITS

FEDERAL

Established by the federal government, tax credits offer the reduction of federal income tax liability through investment in older buildings. Buildings must be listed on the National Register of Historic Properties or can be of a certain age. Each of those criteria generate different funding and regulations.

A 20% tax credit may be obtained if the building is listed on the National Register of Historic Places or considered to be contributing to an established (National Register) district. The processing for this higher credit requires plan approval by the State Historic Preservation office (Texas Historical Commission) and the U S Department of the Interior. Reviewers may require certain architectural details or materials. With final approval, 20 % of the eligible basis may be taken off the federal income tax owed. On larger projects, these credits are often “purchased” by financial institutions representing private individual investors.

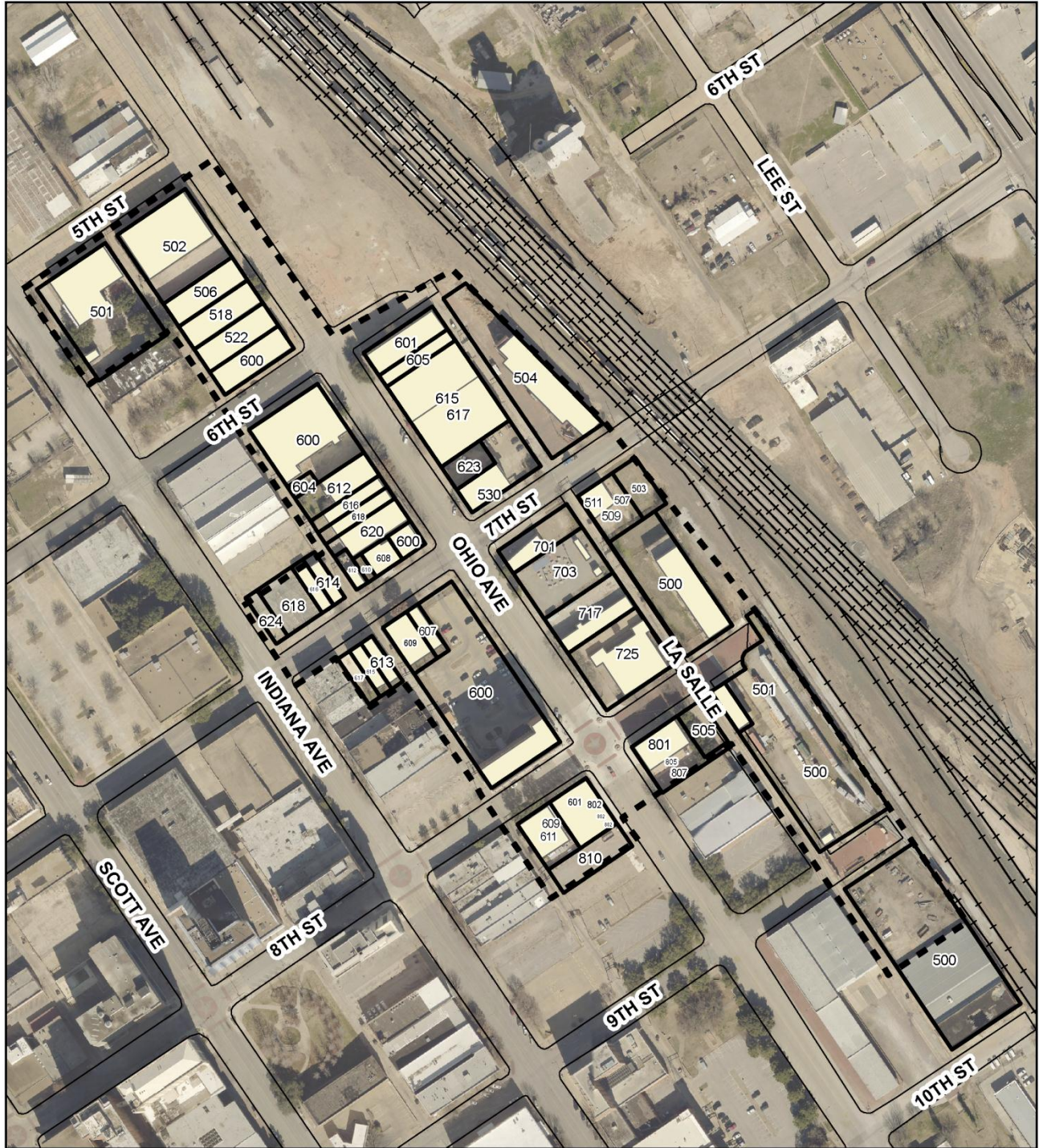
A 10% tax credit may be obtained for the improvement of buildings that are seventy (70) years or older. This format does not require the same degree of plan review.

Contact: U S Department of the Interior

STATE

The State of Texas has established an historic preservation tax credit relating to franchise taxes. Companies seeking such a tax reduction may “purchase” these for eligible projects and provide financial support.

Contact: Texas Historical Commission



Depot Square

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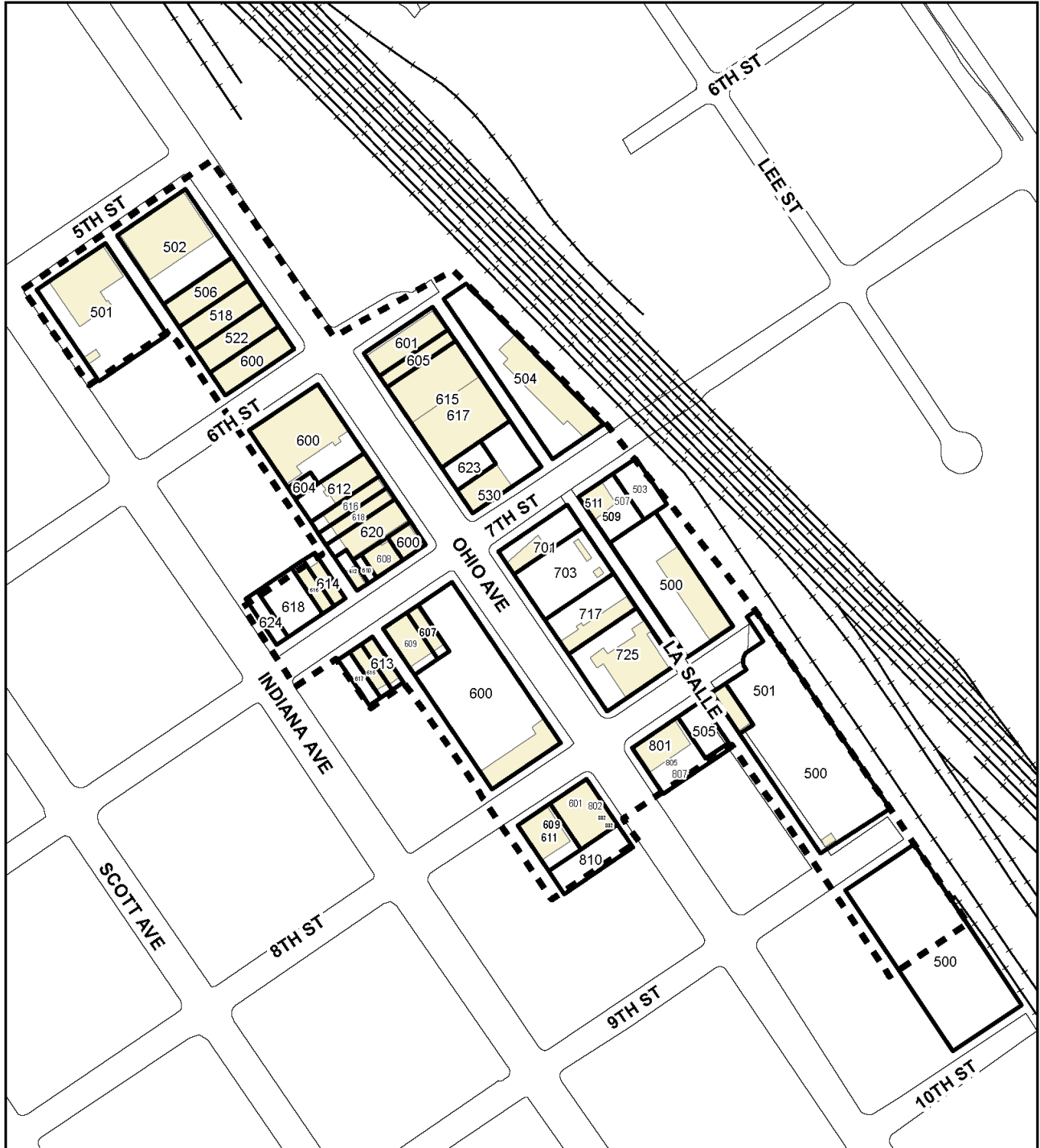
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110 55 0 110 220 330 440 550 Feet



Legend

- TRAN_Railroad
- Depot_Square
- Depot Square Parcels
- Depot Square Buildings



Depot Square

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NEW MARKET TAX CREDITS

The New Market Tax Credit (NMTC) Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a federal income tax credit in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDE's). The program is funded through the Community Development Financial Institutions (CDFI) Fund and allows a 39 percent tax credit of the original investment amount and is claimed over a period of seven years. NMTCs are awarded to CDEs, not to individuals or businesses. CDEs, in turn, use the proceeds of these qualified investments to make Qualified Low-Income Community Investments (QLICs), such as business loans, in Low-Income Communities.

Example: The CDFI Fund awards a tax credit allocation of \$1 million to a CDE. The CDE offers the tax credit to a single investor in exchange for a \$1 million equity investment. The NMTC Program generates a \$50,000 credit annually for the first three years; then a \$60,000 credit annually for the final four years. Total credit value over 7 years is \$390,000.

CITY BOND ISSUE

The City has the ability to issue government bonds that are backed by City resources or the income from the project. Typically, proceeds from government issued bonds are used for major public improvements. The bonds are repaid with interest to investors over a period of 20 to 30 years, depending on the life of the asset. General Obligation Bonds (those backed by the property tax) generally require approval of the registered voters at a general election. Revenue Bonds and Certificates of Obligation do not require an election.

CDBG FUNDING

Projects benefiting low to moderate income families, eliminating slum or blight issues, or having urgent need (such as disaster recovery) may be eligible for Community Development Block Grant (CDBG) funding. These federal grant funds are limited and is determined by the City of Wichita Falls based on allocation from the federal government. Reporting requirements are extensive.

Contact: Neighborhood Resources, City of Wichita Falls

940-761-7448

CHAPTER 380, LOCAL GOVERNMENT CODE

Chapters 380.001 and .002 of the Code enable a City to utilize general fund money to assist in economic development for for-profit and not-for-profit businesses. The funding source is the delay in the collection of new sales taxes.

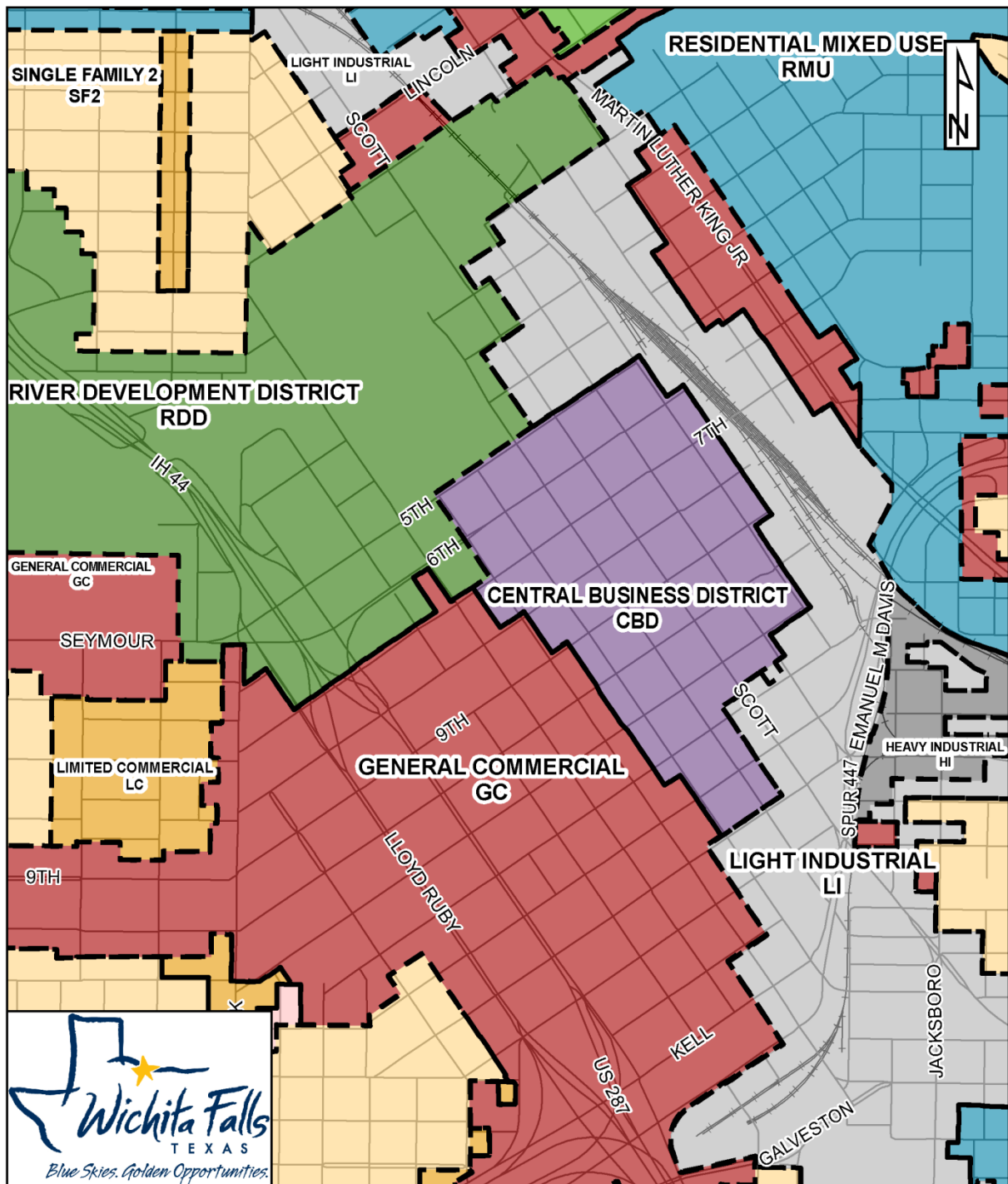
Program options for cities:

- a. May be used to provide the equivalent of tax increment financing.
- b. Provide money, loans, City personnel, and City services for promotion and encouragement of economic development.
- c. Tax Increment Financing (TIF) funds are eligible to finance chapter 380 projects if located in a TIF zone and funds are available.
- d. Fund enhancements or amenities with transportation authorities for parking facilities or transit centers, etc.
- e. Opt to condition the grant or loan of public monies based upon a sales tax agreement that may require a retailer to provide the City with a certificate that includes the amount of taxable sales, sales tax collected and paid to the State or refunded and receipt of sales tax as a condition of grant payments.
- f. Grants paid only if the City receives sales tax from the development.
- g. Agreement terminates on payment of maximum grant amount or fixed term, whichever is earlier.

Utilization is recommended on a case by case basis and only for large scale projects that may generate significant increases in sales taxes.

PUBLIC IMPROVEMENT DISTRICT

A Public Improvement District (PID) utilizes ad-valorem tax receipts above the existing base that are generated from properties within a determined geographical area. Property owners are involved in the creation of such a district. Funds are generally used to provide a higher level of local government services including support special features, maintenance, security, promotion, etc.



Downtown Zoning Districts

570 285 0 570 1,140 1,710 2,280 2,850 Feet

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Legend

- | | | |
|---|--|--|
| SINGLE FAMILY 2 | LIMITED OFFICE | RIVER DEVELOPMENT DISTRICT |
| MULTI- FAMILY RESIDENTIAL | GENERAL COMMERCIAL | CENTRAL BUSINESS DISTRICT |
| RESIDENTIAL MIXED USE | LIGHT INDUSTRIAL | BROOK AVENUE DISTRICT |
| LIMITED COMMERCIAL | HEAVY INDUSTRIAL | <div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%);">+</div> Railroad |